

COUNTY OF LANCASTER, NEBRASKA

**EMPLOYEE RETIREMENT AND 457 DEFERRED COMPENSATION PLAN
(Nationwide Retirement Solutions)**

**Statement of Overall Investment
Objectives and Policy**

(Revised and Effective July 11, 2006)

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INTRODUCTION

The County of Lancaster, Nebraska Employees Retirement Plan Board of Trustees (the "Board") hereby adopts this Statement of Investment Policy (Statement) for the County of Lancaster, Nebraska Retirement and 457 Plan.

SECTION I: OBJECTIVES OF THE PLAN

The Plan is a long-term retirement savings vehicle and is intended as a source of retirement income for eligible participants. The investment options available from the Plan cover a broad range of investment risk and rewards appropriate for these kinds of retirement savings programs. Participants bear the risk and reap the rewards of investment returns that result from the investment options they select.

This Statement of Investment Policy serves the following purposes:

- To ensure that a broad range of investment options are offered to Plan participants;
- To establish an investment program that will allow Plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances;
- To define the investment categories offered by the Plan;
- To establish investment objectives and guidelines for each investment category offered within the Plan;
- To establish benchmarks and performance standards for each investment category and to evaluate each option's performance against appropriate benchmarks and standards;
- To establish a procedure for reporting and monitoring of the various investment options;
- To define the procedures for investment option evaluation and formal investment option review; and
- To set guidelines and procedures for withdrawal of an investment option which, in the Board's opinion, does not, or will not, fulfill the Plan's objectives for which it was selected and replace the option with an appropriate substitute.

SECTION II:

INVESTMENT OPTIONS

The Plan has chosen to offer twenty (20) investment options in sixteen (16) investment categories, and five (5) lifestyle funds, ranging from aggressive to conservative, which are designed to provide diversification and asset allocation based on the specific needs of investors:

Category
Money Market
Stable Value
Intermediate Bonds
High Yield Bonds
Balanced
Large Cap Value Equity
Large Cap Blend Equity (passive)
Large Cap Blend Equity (active)
Large Cap Growth Equity
Mid Cap Value Equity
Mid Cap Blend Equity
Mid Cap Growth Equity
Small Cap Value Equity
Small Cap Blend Equity
Small Cap Growth Equity
Global Equity

Lifestyle Funds
Aggressive Portfolio
Moderately Aggressive Portfolio
Moderate Portfolio
Moderately Conservative Portfolio
Conservative Portfolio

Each investment option offered under the Plan shall:

- Operate in full accordance with its current published prospectus or “fact sheet”;
- Have its performance results measured against the applicable performance standards described herein for that investment category.

If the Board determines an investment option no longer meets the performance criteria, it may replace that option with a suitable alternative pursuant to the investment option evaluation procedure outlined herein.

The Board, in its discretion, may add investment options/categories to the current core options. At such time, the Statement of Investment Policy will be modified to include these additions.

SECTION III:
INVESTMENT CATEGORIES, OBJECTIVES, GUIDELINES & PERFORMANCE STANDARDS

The Plan shall offer at least one investment option within each of the following investment categories:

Money Market (currently closed to new contributions)

Objective

The objective of this investment category is to seek current income, consistent with capital preservation and liquidity maintenance.

Performance Standards

To provide a competitive rate of interest that exceeds the 91-day Treasury Bill.

Stable Value

Objective

The objective of this investment category is to preserve principal and provide a stable, competitive rate of return. A fund in this category invests in fixed income instruments, including those of the US Government and its agencies, corporations, mortgage and asset-backed securities, collateralized, emerging market, high yield, and preferred stock securities

Performance Standards

- To provide a competitive rate of interest relative to the Lehman Brothers 1 – 3 Year Government Index.
- This fund declares an annualized rate of interest at least quarterly.

Intermediate Bonds

Objective

The objective of this investment category is to approximate the performance of the Lehman Brothers Aggregate Bond Index, a fixed income index comprised of corporate, government, asset-backed, and mortgage-backed securities. Investment returns are expected to be derived primarily from current income.

Performance Standards (Net of fees)

- To exceed the return of the Lehman Brothers Aggregate Bond Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the core bond fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Lehman Brothers Aggregate Bond Index and the core bond universe.

High Yield Bonds

Objective

The objective of this investment category is to seek high current income, with a secondary objective of capital appreciation.

Performance Standards (Net of fees)

- To exceed the return of the Merrill Lynch High Yield Master Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the high yield bond fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Merrill Lynch High Yield Master Index and the high yield bond universe.

Balanced

Objective

The objective of this investment category is to invest in stocks, bonds and cash to provide capital appreciation and income with less volatility than an all-stock fund. Investment returns are expected to be derived from a combination of capital appreciation and dividend and interest income.

Performance Standards (Net of Fees)

- To exceed the return of a 60% S&P 500 Index and 40% Lehman Brothers Aggregate Bond Index composite, over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the balanced fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the composite index and the balanced fund universe.

Large Cap Value Equity

Objective

The objective of this investment category is to invest primarily in the common stock of large capitalization domestic companies considered by the fund manager to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

Performance Standards (Net of Fees)

- To exceed the return of the Russell 1000 Value Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the large cap value equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 1000 Value Index and the large cap value equity fund universe.

Large Cap Blend Equity (Passive)

Objective

The objective of this investment category is to approximate the performance of the Standard & Poor's 500 Index by investing in common stock of the large capitalization domestic companies comprising the Index. The S&P 500 Index is an equity composite of the 500 largest companies in the United States based on market capitalization. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

Performance Standards (Net of Fees)

- To approximate the performance of the S&P 500 Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the large cap blend equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the S&P 500 and the large cap blend equity fund universe.

Large Cap Blend Equity (Actively Managed)

Objective

The objective of this investment category is to invest primarily in common stock of the large capitalization domestic companies considered by the fund manager to have above average potential for capital appreciation as well as some companies considered to be undervalued relative to the market.

Performance Standards (Net of Fees)

- To exceed the performance of the S&P 500 Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the large cap blend equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the S&P 500 and the large cap blend equity fund universe.

Large Cap Growth Equity

Objective

The objective of this investment category is to invest primarily in the common stock of large capitalization domestic companies considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the Russell 1000 Growth Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the large cap growth equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 1000 Growth Index and the large cap growth equity fund universe.

Mid Cap Value Equity

Objective

The objective of this investment category is to invest primarily in the common stocks of medium-sized companies considered by the fund manager to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the Russell Mid Cap Value Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the mid cap value equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell Mid Cap Value Index and the mid cap value equity fund universe.

Mid Cap Blend Equity

Objective

The objective of this investment category is to invest primarily in the common stocks of medium-sized companies considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the Russell Mid Cap Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the mid cap growth equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell Mid Cap Index and the mid cap growth equity fund universe.

Mid Cap Growth Equity

Objective

The objective of this investment category is to invest primarily in the common stocks of medium-sized companies considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the Russell Mid Cap Growth Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the mid cap growth equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell Mid Cap Growth Index and the mid cap growth equity fund universe.

Small Cap Value Equity

Objective

The objective of this investment category is to invest primarily in the common stocks of small capitalization domestic companies considered by the fund manager to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the Russell 2000 Value Index over a full market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the small cap value equity fund universe over a full market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 2000 Value Index and the small cap value equity fund universe.

Small Cap Blend Equity

Objective

The objective of this investment category is to invest primarily in the common stocks of small capitalization domestic companies considered by the fund manager to have above average potential for capital appreciation or to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the Russell 2000 Index over a full market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the small cap core equity fund universe over a full market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 2000 Index and the small cap core equity fund universe.

Small Cap Growth Equity

Objective

The objective of this investment category is to invest primarily in the common stocks of small-sized companies considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the Russell 2000 Growth Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the small cap growth equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 2000 Growth Index and the small cap growth equity fund universe.

Global Equity

Objective

The objective of this investment category is to invest primarily in the common stock of companies located throughout the world, including the United States. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the MSCI World Index over a full market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the global equity fund universe over a full market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the MSCI World Index and the global fund universe.

Lifestyle Funds

Objective

The objective of this investment category is to invest in an allocation of fixed income and equity securities according to certain risk characteristics. Conservative and Moderate Conservative Funds are weighted in favor of fixed income securities to provide a less risky investment option to participants in or nearing retirement, or with a low tolerance for volatile investment performance. Moderate Funds seek a balance between fixed income and equity securities to provide potential for higher returns, while seeking to limit the volatility of overall fund performance. Moderate Aggressive and Aggressive Funds are weighted in favor of equities to provide potential for high returns, but through increased risk, to participants with long investment horizons or with a high tolerance for risk. Investment returns may be derived from a combination of current income and capital appreciation.

Performance Standards (Net of fees)

- To exceed the return of a composite index over a full market cycle, or generally a period of 3 to 5 years.
- The composite index for the Conservative Allocation Fund will be 10% S&P 500 Index, 5% S&P Midcap 400 Index, 5% MSCI EAFE Index, 35% Lehman Brothers Aggregate Bond Index and 45% 91 Day Treasury Bill Index.
- The composite index for the Moderate Conservative Allocation Fund will be 20% S&P 500 Index, 10% S&P Midcap 400 Index, 10% MSCI EAFE Index, 35% Lehman Brothers Aggregate Bond Index and 25% 91 Day Treasury Bill Index.
- The composite index for the Moderate Allocation Fund will be 30% S&P 500 Index, 10% S&P Midcap 400 Index, 5% Russell 2000 Index, 15% MSCI EAFE Index, 25% Lehman Brothers Aggregate Bond Index and 15% 91 Day Treasury Bill Index.
- The composite index for the Moderate Aggressive Allocation Fund will be 35% S&P 500 Index, 15% S&P Midcap 400 Index, 5% Russell 2000 Index, 25% MSCI EAFE Index, 15% Lehman Brothers Aggregate Bond Index and 5% 91 Day Treasury Bill Index.
- The composite index for the Aggressive Allocation Fund will be 40% S&P 500 Index, 15% S&P Midcap 400 Index, 10% Russell 2000 Index, 30% MSCI EAFE Index and 5% Lehman Brothers Aggregate Bond Index.

SECTION IV:
INVESTMENT OPTIONS
MONITORING AND REPORTING PROCEDURES

The Board will review the Plan periodically, but not less than annually. The review will include the following:

Monitoring Investment Options

Performance is evaluated against the following measures:

1. Market index for each fund, as described in Exhibit B.
2. Peer group universe of managers for comparable funds, as described in Exhibit B.

Performance is expected to rank above the median of the applicable manager peer group over the trailing and rolling three- and five-year periods. Time periods to be reviewed will be quarter end, trailing one-year, three-year and five-year periods. Consideration will be given to consistency of performance in the context of rolling three-year periods for the trailing five-year period.

Consideration is also given for any of the following reasons:

1. The fund has not met the performance standards for the fund's investment category
2. The fund has changed investment managers, or such change appears imminent
3. The fund has had a significant change in ownership or control
4. The fund has changed investment focus or has experienced style drift, departing from the investment objectives or parameters in its prospectus
5. Significant change in stated prospectus investment objective
6. The fund has experienced substantial portfolio turnover
7. The fund has violated an SEC rule or regulation
8. The fund has experienced difficulty in transacting trades, fund transfers, or pricing
9. The fund has experienced other changes or problems in its procedures, operations, investing, or reporting which has or could detract from the objectives of the Plan
10. Significant net redemption of the fund's assets
11. Reduction in quantity or quality of support
12. The manager's inability to explain poor performance and identify corrective actions
13. Significant fee increase without justification

Other factors considered in monitoring include:

1. Popularity of the fund with Plan participants (amount of assets and accounts)
2. Other available quality investment options within a similar asset category

These points are considered in the analysis but cannot override or impede the appropriate decision regarding a Designated Fund.

GUIDELINES TO REMOVE OR DESELECT AN INVESTMENT OPTION

The following serves to summarize the suggested criteria to deselect investment options. The deselection process includes a probationary period, followed by a removal process.

DESELECTION

A fund is a candidate for removal from the Plan for the following reasons.

1. Performance falls below the 50th percentile of the applicable manager peer group for six consecutive, quarter-ending, three-year rolling periods, or for six of the past eight quarter-ending, three-year rolling periods, and if performance for the one-year trailing period falls below the 50th percentile; or fails to meet or exceed the appropriate market index over the trailing three-year period.
2. Concerns identified through the monitoring process that cause unease regarding the fund management's ability to provide acceptable performance in the future.

Watch List

A fund would be placed on a "Watch List" if, for a trailing four-quarter period:

1. Performance falls below the 50th percentile for four consecutive quarter-ending, three-year rolling periods, or for four of the past six quarter-ending, three-year rolling periods; and if performance for the one-year trailing period falls below the 50th percentile; or performance fails to meet or exceed the appropriate market index over the trailing three-year period or,
2. Any of the thirteen listed deficiencies from page one have occurred.

Once placed on the "Watch List", a manager will have up to one year to demonstrate improved performance unless other deselection criteria are present. Improved performance would be defined as:

1. Exceeding the applicable peer group universe over the trailing one-year period; or
2. Ranking in the top half of the applicable manager peer group; or exceeding the returns of the appropriate market index for the trailing three-year period.

Failure to improve performance consistent with one of the above two criteria would provide the basis for either extending the probation period or for fund termination.

Termination of Investment Option

1. When the Board intends to terminate a fund, the Board must notify all plan participants at least thirty (30) days prior to the termination of the fund as an investment option under the Plan.
2. With regards to the terminated fund, the Board has the option to:
 - a. Transfer, or “map,” the monies in the terminated fund to another fund of similar risk and return characteristics. The terminated fund is then totally removed from the Plan; or
 - b. Close the terminated funds to future contributions, and give the participants the option to keep, or remove, the monies in the terminated fund.

REPORTING

Monitoring and evaluation of investment options shall be performed by Nationwide Retirement Solutions, Inc. An annual written investment performance report will be provided by nationwide to the Board no later than July 1st.

SECTION V:
PENSION REVIEW COMMITTEE

The Pension Review Committee (PRC) was created by the Lancaster County Board in 1993 for the purpose of monitoring the performance of the Lancaster County Employees Retirement Plan. The membership of the PRC includes representatives of all County labor unions, the Employee Advisory Team (unrepresented, classified employees), unclassified employees, elected officials, directors and other members who will provide a broad representation of County employees.

The PRC shall serve the following roles in the administration of the County's Investment Policy:

1. Provide advice to the Lancaster County Board regarding the administration of the Investment Policy; and
2. Provide a voice for employees in the administration of the Investment Policy, and help disseminate current and accurate information regarding the Retirement Plan.

Any member of the PRC who misses three (3) consecutive meetings shall be subject to removal from the Committee by the County Board.

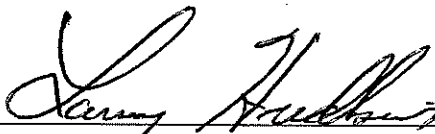
All decisions regarding the administration of the Investment Policy shall be made by the Lancaster County Board of Commissioners, in its capacity as the Lancaster County Retirement Plan Board of Trustees. The PRC shall have no fiduciary duty to the employees of Lancaster County with regard to the administration of the Retirement Plan or the Investment Policy.

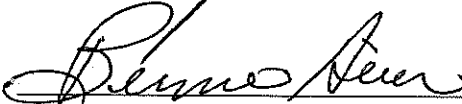
This Statement of Investment Policy is adopted by the County of Lancaster, Nebraska Retirement and 457 Plan Board of Trustees this 11th day of July, 2006.


Approved as to Form and Content

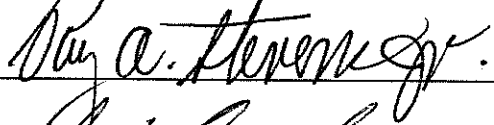
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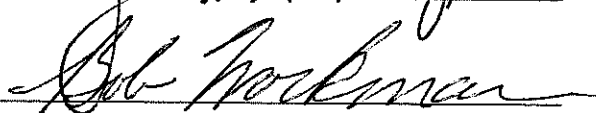
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Add to Section V of the Investment Policy:

Any member of the PRC who misses three (3) consecutive meetings shall be subject to removal from the Committee by the County Board.

Adopted July 11, 2006